

LEASE WITH OPTION TO PURCHASE

This Lease With Option to Purchase ("Lease"), dated as of September 29, 2006 and entered into between Koch Financial Corporation, a Kansas corporation authorized to do business in Michigan ("Lessor"), and the Michigan Department of Management and Budget, an agency of the State of Michigan ("Lessee").

1. **Lease.** Lessee agrees to lease from Lessor certain "Equipment" as described in the Equipment Schedule (Exhibit A), which, together, with a "Lease Payment Schedule" (Exhibit A-1) constitute a "Schedule," subject to the terms and conditions of and for the purposes set forth in this Lease.

2. **Term.** This Lease will consist of an "Initial Term" and subsequent "Renewal Terms." The "Commencement Date" for this Lease is the date on which the Equipment is accepted by Lessee in the manner described in Section 12. The "Initial Term" is the period from the Commencement Date, until the end of the first fiscal period for which funds have been appropriated to make lease payments under this Lease. A "Renewal Term" is a subsequent period for which funds have been appropriated to make lease payments under this Lease. The "Lease Term" for this Lease is the Initial Term and all Renewal Terms from the Commencement Date until this Lease is terminated.

3. **Representations and Covenants of Lessee.** Lessee represents, covenants and warrants for the benefit of Lessor on the date hereof and as of the Commencement Date of this Lease as follows: (a) Lessee Michigan Department of Management and Budget is an agency of the State of Michigan, which is a department of state government duly organized and existing under the constitution and laws of the State of Michigan, with full power and authority under the constitution and laws of the state where the Lessee is located to enter into this Lease and to perform all of its obligations; (b) Lessee has complied with such public bidding requirements as may be applicable to this Lease and the acquisition by Lessee of the Equipment as provided in this Lease; (c) during the Lease Term, the Equipment will be used by Lessee solely and exclusively for the purpose of performing essential governmental functions of Lessee consistent with the permissible scope of Lessee's authority; (d) the equipment is and will remain personal property.

4. **Representations and Covenants of Lessor.** Lessor represents, covenants and warrants for the benefit of Lessee on the date hereof and as of the Commencement Date of this Lease as follows: (a) Lessor, at the request of the Lessee, will pay for the Equipment from EMC and; (b) Pursuant to Section 22, Lessor will convey clear title for the Equipment to Lessee if and when Lessee exercises the purchase option.

5. **Tax Covenant.** It is the intention of Lessee and Lessor that the interest portion of the Lease Payments received by Lessor be and remain free from federal income taxation. Lessee covenants that it will not intentionally perform any act or enter into any agreement or use or permit the use of the Equipment or any portion thereof in a manner that shall have the effect of terminating the exemption from federal income taxation of the interest portion of the Lease Payments.

6. **IRS Reporting.** At Lessor's request, the parties shall cooperate to ensure compliance with IRS reporting requirements. Lessor shall prepare for the State's signature an IRS Form 8038G, or take such other action requested by other State agencies, including, but not limited to, the State Treasurer's Office. Lessor shall provide the State Purchasing Director of the Department of Management and Budget with a copy and filing date of any IRS Form 8038G filed with the IRS. However, the parties acknowledge that Lessor has the exclusive responsibility to file IRS Form 8038G and has exclusive liability for any penalties, costs, damages, or other consequences resulting from a failure to file.

7. **Lease of Equipment.** Upon the execution of this Lease, Lessor leases to Lessee, and Lessee leases from Lessor, the Equipment in accordance with the terms hereof. The Lease Term for this Lease may be continued, solely at the option of Lessee, at the end of the Initial Term or any Renewal Term, for the next succeeding Renewal Term up to the maximum Lease Term set forth in this Lease. At the end of the Initial Term and at the end of each Renewal Term, the Lease Term shall be automatically extended upon the successive appropriation by the Michigan State Legislature of amounts sufficient to pay Lease Payments and other amounts payable under this Lease during the next succeeding Fiscal Period, until all Lease Payments payable under this Lease have been paid in full, unless Lessee shall have terminated such Lease pursuant to Section 8 or Section 22. The Director of the Department of Management and Budget currently intends to use his/her best efforts in making recommendations to the State Budget Office for the necessary appropriations for this lease for inclusion in the Governor's Executive Budget in future fiscal years. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Lease Payments shall be as provided in the applicable Lease Payment Schedule.

8. **Nonappropriation.** Lessee is obligated only to pay such Lease Payments under this Lease as may be appropriated for the Lease of the Equipment. Should the State Legislature fail to appropriate funds to pay Lease Payments, or should an appropriation be adopted which specifically prohibits the use of funds for this Lease, Lessee agrees to deliver notice to Lessor of such nonappropriation within thirty (30) business days of a final legislative action terminating funding for this Lease. Failure to give Lessor such notice shall not create any obligation on the part of the Lessee to make Lease payments beyond the period for which funds have been appropriated. If this Lease is terminated in accordance with this Section, Lessee agrees to peaceably deliver the Equipment to Lessor at the location(s) specified by Lessor or to allow Lessor to peaceably obtain possession of the Equipment. The parties have agreed and determined that the principal amount to be paid to Lessor under this Lease is not in excess of the total fair market value of the Equipment. In making such determination, consideration has been given to the costs of the Equipment, the uses and purposes served by the Equipment and the benefit that will accrue to the parties by reason of this Lease and to the general public by reason of Lessee's use of the Equipment. Lessor understands that as of the date of execution of this Lease, Lessee has an appropriation for the Equipment for the current fiscal year, as defined in 1984 PA 431, MCL 18.1491.

9. **Lease Payments.** Lessee shall promptly pay "Lease Payments" as described in Exhibit A-1 to this Lease, exclusively from funds appropriated for lease of the Equipment. Pursuant to 1984 PA 279, MCL 17.51-17.57, Lessee shall pay Lessor a charge on any Lease Payment, which remains unpaid on the date such Lease Payment is due. Lease Payments consist of principal and interest portions. *Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Payments under this Lease shall constitute a current expense of the State of*

Michigan and shall not in any way be construed to be a debt or general obligation of the State of Michigan in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by Lessee, including, but not limited to, Const 1963, art 9, §§12, 17, nor shall anything contained herein or in a Lease constitute a pledge of the general tax revenues, credit, funds or monies of the State.

10. LEASE PAYMENTS TO BE UNCONDITIONAL. EXCEPT AS PROVIDED IN SECTION 8, AND SUBJECT TO LESSEE'S ACCEPTANCE OF THE EQUIPMENT AS PROVIDED IN SECTION 12, THE OBLIGATIONS OF LESSEE TO MAKE LEASE PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED IN THIS LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE, FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE EQUIPMENT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

11. Delivery and Installation. Lessee shall order the Equipment, cause the Equipment to be delivered and installed at the location agreed upon by the parties and pay any and all delivery and installation costs in connection therewith.

12. Performance and Reliability Evaluation; Acceptance. The parties agree and acknowledge that the obligations under this Lease are conditioned, in part, upon the successful completion of a Performance and Reliability Evaluation (PARE), described in Contract No. _____ between **EMC** ("Vendor") and the State of Michigan. Upon successful completion of the PARE, Lessee shall confirm to Lessor its written acceptance of the Equipment by executing a "Certificate of Acceptance." A blank, unexecuted copy of a Certificate of Acceptance is attached hereto as Exhibit B. The PARE shall commence when the Equipment has been delivered and installed as provided in Section 11.

13. Marking; Inspection. Lessor shall have the right to mark or affix a nonpermanent label on the Equipment for purposes of identifying it at a later date. Lessor or its agents shall have the right, from time to time, with prior written notice, during reasonable business hours, and subject to the needs of Lessee, to enter into and upon the property of Lessee for the purpose of inspecting the existence, condition and proper maintenance of the Equipment.

14. Use; Maintenance. Lessee will not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease. Lessee agrees that it will, at Lessee's own cost and expense, maintain, preserve and keep the Equipment in good repair and working order.

15. Title to the Equipment. During the Term of this Lease, title to the Equipment shall remain in Lessor. Title to the Equipment shall be conveyed to Lessee upon the occurrence of one of the following: (a) the exercise by Lessee of the purchase option under Section 22; or (b) the payment by Lessee of all sums required to be paid under this Lease as specified in the Lease Payment Schedule. Upon Lessee's exercise of the purchase option or Lessee's payment of all sums due under the Lease Payment Schedule, Lessor shall transfer free and clear title to Lessee.

16. Financing Statements. At Lessor's request, Lessee shall join Lessor in executing any necessary or appropriate Financing Statements indicating its obligation under this Lease.

17. Taxes, Other Governmental Charges and Utility Charges. The parties to this Lease contemplate that the Equipment will be used for governmental purposes of Lessee and that

the Equipment will therefore be exempt from all property taxes. If the use, possession or acquisition of any Equipment is nevertheless determined to be subject to taxation, Lessee shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to such Equipment. Lessee shall pay all utility and other charges incurred in the use and maintenance of the Equipment. Lessee shall pay such taxes or charges as the same may become due.

18. Insurance. Lessee is self-insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letterform together with a copy of the statute authorizing this form of insurance.

19. Risk of Loss or Damage. Lessee shall assume all risk of loss, theft, damage to, or destruction of the Equipment for any cause ("Loss or Damage") upon acceptance, as described in Section 11. In the event of Loss or Damage to the Equipment, Lessee shall promptly report the same to Lessor and concerned governmental agencies. Lessee shall not be relieved of its obligation to pay Lease Payments or to perform any other obligations under this Lease by reason of any Loss or Damage. In the event of any Loss or Damage, Lessee shall either: (a) promptly replace lost Equipment or promptly repair damaged Equipment and place it in good repair and working condition and continue to make all Lease Payments; or (b) within sixty (60) business days of notifying Lessor that the Equipment will not be repaired, pay Lessor the outstanding principal balance and any unpaid accrued interest as of the payoff date, as described in the Lease Payment Schedule. Lessee shall have the right to retain any residual insurance benefit, which remains after payment to Lessor of the outstanding principal balance and unpaid accrued interest.

20. DISCLAIMER OF WARRANTIES. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE EQUIPMENT, OR WARRANTY WITH RESPECT THERETO WHETHER EXPRESS OR IMPLIED, AND LESSEE ACCEPTS SUCH EQUIPMENT AS IS. IN NO EVENT SHALL LESSOR BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR LESSEE'S USE OF ANY ITEM, PRODUCT OR SERVICE PROVIDED FOR IN THIS LEASE.

21. Vendor's Warranties. Upon execution of this Lease, Lessor irrevocably appoints Lessee as its agent and attorney-in-fact during this Lease, so long as Lessee shall not be in default under this Lease, to assert from time to time whatever claims and rights, including, but not limited to, warranties, relating to the Equipment that Lessor may have against Vendors. The term "Vendors" means any supplier or manufacturer of the Equipment, as well as agents or representatives of those suppliers or manufacturers. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against Vendors of the Equipment, and not against Lessor. Any such matter shall not have any effect whatsoever on the rights and obligations of Lessor with respect to this Lease, including the right to receive full and timely payments under this Lease. Lessee acknowledges that Lessor makes, and has made, no representations regarding the existence or availability of warranties made by Vendors.

22. Purchase Option. Lessee reserves the unilateral right to exercise a purchase option for the Equipment. Lessee may exercise this right by paying to Lessor a "Concluding Payment", based on the payment terms specified in the Lease Payment Schedule. The Concluding Payment for a given date shall be defined as the sum of the outstanding principal balance as of that date, plus any unpaid accrued interest as of that date, plus any prepayment

premium, plus one dollar (\$1.00). Upon receiving payment of the Concluding Payment, Lessor shall transfer any and all of its rights, title, and interest to the Equipment and covenant to Lessee that the Equipment is free of any liens or encumbrances.

23. Assignment. Lessor's right, title and interest in and to this Lease, including Lease Payments and any other amounts payable by Lessee thereunder and all proceeds therefrom, may only be assigned and reassigned to one or more assignees or subassignees by Lessor with the written consent of Lessee, which shall not be unreasonably withheld. Assignments may include without limitation assignment of all of Lessor's security interest in and to the Equipment listed in this Lease and all rights in, to and under the Lease related to such Equipment. Notwithstanding the above, Lessee hereby agrees that Lessor may, without the consent of Lessee, but with notice to Lessee, sell, dispose of, or assign this Lease through a pool, trust, limited partnership, or other similar entity, whereby one or more interests are created in this Lease, or in the Equipment listed in or the Lease Payments under a Lease. In accordance with Section 149(a) of the Internal Revenue Code of 1986, as amended, Lessor shall keep a record of all such assignments and provide written notice to Lessee. Lessor agrees to continue servicing the Lease or arrange for a servicer with equal standards of high quality. Lessor also agrees remittance will remain with a single servicer.

None of Lessee's right, title and interest in, to and under any Lease or any portion of the Equipment listed in each Lease may be assigned, subleased, or encumbered by Lessee for any reason without obtaining prior written consent of Lessor.

24. Lessee Default. Any of the following events shall constitute an "Event of Default" under this Lease: (a) failure by Lessee to pay any Lease Payment due under the Lease Payment Schedule or other payment required to be paid under this Lease at the time specified therein; (b) failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraph (a) above, for a period of thirty (30) business days after written notice specifying such failure and requesting that it be remedied is given to Lessee by Lessor; or (c) any representation or warranty made by Lessee in or pursuant to this Lease proves to be false in any material respect when made and such breach of representation and warranty is not cured within ten (10) business days of Lessee's receipt of written notice of such breach.

25. Lessor Default. Any of the following events shall constitute an "Event of Default" under this Lease: (a) failure by Lessor to, at the request of the Lessee, promptly forward payment to the Vendor for the Equipment after receipt of fully executed documents including a Certificate of Acceptance, pursuant to Section 12; (b) failure by Lessor to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraph (a) above, for a period of thirty (30) business days after written notice specifying such failure and requesting that it be remedied is given to Lessee by Lessor; (c) failure to convey clear title; or (d) any representation or warranty made by Lessor in or pursuant to this Lease proves to be false in any material respect when made and such breach of representation and warranty is not cured within ten (10) business days of Lessee's receipt of written notice of such breach.

26. Lessor's Remedies on Default by Lessee. Whenever Lessee defaults, and the default is not cured within the period specified in Section 24, Lessor shall have the right, at its sole option without any further demand, to take one of the following remedial steps: (a) by written notice to Lessee, declare all Lease Payments payable to the end of the period for which an appropriation has been made, to be immediately due and payable; (b) take whatever action at law

or in equity may appear necessary or desirable to enforce its rights under this Lease or as a secured party in any or all of the Equipment including peaceably obtaining possession of the Equipment

27. **Lessee's Remedies on Default by Lessor.** Whenever Lessor defaults and the default is not cured within the period specified in Section 25, Lessee shall have the right, at its sole option without any further demand, to take one of the following remedial steps: (a) procure comparable equipment from other sources; (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Lease.

28. **No Remedy Exclusive.** No remedy herein conferred upon or reserved to Lessor or Lessee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity.

29. **Notices.** All notices or other communications under this Lease shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties hereto at the addresses listed below (or at such other address as either party hereto shall designate in writing to the other for notices to such party), or to any assignee at its address as it appears on the registration books maintained by Lessee.

30. **Indemnification.** Lessor does hereby agree to indemnify, defend, and hold Lessee harmless from and against any and all claims, losses, costs, attorneys' fees, and expenses arising out of or related to the breach of Lessor's representations under this Lease.

31. **Miscellaneous Provisions.** This Lease constitutes the complete and exclusive agreement and understanding of the parties as it relates to this transaction. This Lease supersedes all proposals, or other prior agreements, and all other communications, oral or written, between the parties relating to this Lease and the Equipment described herein. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns. References herein to "Lessor" shall be deemed to include each of its assignees and subsequent assignees from and after the effective date of each assignment as permitted by Section 23. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof. This Lease may be amended by mutual written consent of Lessor and Lessee. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of this Lease.

32. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Michigan.

33. **Statutory Obligations.** This Lease may be cancelled by Lessee provided Lessor is notified in writing at least thirty (30) business days prior to the effective date of cancellation and any of the following occur: (a) Lessor or any subcontractor, manufacturer, or supplier of Lessor appears in the register compiled by the Michigan Department of Labor pursuant to 1980 PA 278, as amended, MCL 423.321 et seq. (Employers Engaging in Unfair Labor Practices Act); (b) Lessor or any subcontractor, manufacturer, or supplier of Lessor is found liable for discrimination, pursuant to 1976 PA 453, as amended, MCL 37.2101 et seq (Elliott-Larsen Civil Rights Act) or 1976 PA 220, as amended, MCL 37.1101 et seq (Persons With Disabilities Civil Rights Act).

34. **Nondiscrimination.** Lessor shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, as amended, MCL 37.2101 et seq. and the Persons With Disabilities Civil Rights Act, 1976 PA 220, as amended, MCL 37.1101 et seq. (Persons With Disabilities Civil Rights Act), and all other federal, state and local fair employment practices and equal opportunity laws, and covenants that it shall not discriminate against any employee or applicant for employment, to be employed in the performance of this contract, with respect to his or her hire, tenure, terms, conditions, or privileges of employment, or any matter directly or indirectly related to employment because of his or her race, religion, color, national origin, age, sex, height, weight, marital status, or physical or mental disability that is unrelated to the individual's ability to perform the duties of a particular job or position. Lessor agrees to include in every subcontract entered into for the performance of this contract this covenant not to discriminate in employment. A breach of this covenant is a material breach of this Lease.

Lessor and Lessee have caused this Lease to be executed in their names by their duly authorized representatives as of the date first above written.

Lessor: Koch Financial Corporation

DATE

Name: _____

(print)

Title: _____

Fed. I.D. 48-1115169

Lessee: MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET, AN AGENCY OF THE STATE OF MICHIGAN

DATE 9/29/06

Sean L. Carlson

Title: Chief Procurement Officer, Business Services Administration
Michigan Department of Management and Budget

Lessee: MICHIGAN DEPARTMENT OF INFORMATION TECHNOLOGY, AN AGENCY OF THE STATE OF MICHIGAN

DATE 9-29-06

Name: DIANA QUINTERO

(print)

Title: Manager

per

Exhibit A

SCHEDULE OF PROPERTY No. 1

RE: LEASE WITH OPTION TO PURCHASE AGREEMENT entered into as of September 29, 2006, ("Lease"), between Koch Financial Corporation ("Lessor") and State of Michigan, Department of Management and Budget ("Lessee"). All terms used and not otherwise defined herein have the meaning ascribed to them in the Lease.

One hundred percent of the financing costs will be used to acquire assets that will be capitalized.

The following items of Equipment are hereby included under this Schedule to the Lease.

DESCRIPTION OF EQUIPMENT

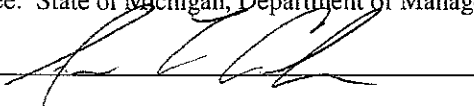
Description	Cost
UTILITIES BACK UP BATCH FILE MENUS, OPERATING SYSTEM RECOVERY SCREEN, SECURITY VIRUS PROTECTION, ETC HARDWARE DMX3 FOR HCT DISK UPGRADE AND TO MEMORY BOARDS DMX AT HCS 4 PORT OPT UPGRADE	\$ 863,412 00
UTILITIES BACK UP BATCH FILE MENUS, OPERATING SYSTEM RECOVERY SCREEN, SECURITY VIRUS PROTECTION, ETC SOFTWARE DMX AT HCT, NS REPLICATOR	\$ 430,098 00
UTILITIES: BACK-UP BATCH FILE MENUS, OPERATING SYSTEM RECOVERY SCREEN, SECURITY VIRUS PROTECTION HARDWARE (SEE ATTACHED)	\$ 599,744 00
UTILITIES: BACK UP BATCH FILE MENUS OPERATING SYSTEM RECOVERY SCREEN SECURITY VIRUS PROTECTION ETC SOFTWARE (SEE ATTACHED)	\$ 170,359 00
	<u>\$2,063,613.00</u>

Lessee hereby represents, warrants and covenants that its representations, warranties and covenants set forth in the Lease are true and correct as though made on the Commencement Date of Installment Payments under this Schedule. **The terms and provisions of the Lease are hereby incorporated into this Schedule by reference and made a part hereof.**

Dated Date: September 29, 2006

Lessee: State of Michigan, Department of Management and Budget

Lessor: Koch Financial Corporation

By 

By _____

Name: Sean L. Carlson

Name _____

Title: Chief Procurement Officer, Business Services Administration
Michigan Department of Management and Budget

Title _____

Date: 9/29/06

Date _____

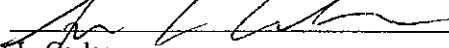
EXHIBIT A-1

PAYMENT SCHEDULE


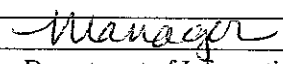
Pmt #	Payment Date	Payment Amount	Interest	Principal	Purchase Price	Outstanding Balance
	9/29/2006					\$2,063,613.00
1	11/1/2006	\$61,077.90	\$7,612.44	\$53,465.46	\$2,050,350.49	\$2,010,147.54
2	12/1/2006	\$61,077.90	\$6,951.76	\$54,126.14	\$1,995,141.82	\$1,956,021.39
3	1/1/2007	\$61,077.90	\$6,764.57	\$54,313.33	\$1,939,742.22	\$1,901,708.06
4	2/1/2007	\$61,077.90	\$6,576.74	\$54,501.16	\$1,884,151.04	\$1,847,206.90
5	3/1/2007	\$61,077.90	\$6,388.26	\$54,689.65	\$1,828,367.60	\$1,792,517.25
6	4/1/2007	\$61,077.90	\$6,199.12	\$54,878.78	\$1,772,391.24	\$1,737,638.47
7	5/1/2007	\$61,077.90	\$6,009.33	\$55,068.57	\$1,716,221.30	\$1,682,569.90
8	6/1/2007	\$61,077.90	\$5,818.89	\$55,259.02	\$1,659,857.10	\$1,627,310.88
9	7/1/2007	\$61,077.90	\$5,627.78	\$55,450.12	\$1,603,297.98	\$1,571,860.76
10	8/1/2007	\$61,077.90	\$5,436.02	\$55,641.89	\$1,546,543.26	\$1,516,218.88
11	9/1/2007	\$61,077.90	\$5,243.59	\$55,834.31	\$1,489,592.26	\$1,460,384.57
12	10/1/2007	\$61,077.90	\$5,050.50	\$56,027.41	\$1,432,444.30	\$1,404,357.16
13	11/1/2007	\$61,077.90	\$4,856.74	\$56,221.17	\$1,375,098.71	\$1,348,135.99
14	12/1/2007	\$61,077.90	\$4,662.30	\$56,415.60	\$1,317,554.80	\$1,291,720.39
15	1/1/2008	\$61,077.90	\$4,467.20	\$56,610.70	\$1,259,811.88	\$1,235,109.69
16	2/1/2008	\$61,077.90	\$4,271.42	\$56,806.48	\$1,201,869.27	\$1,178,303.20
17	3/1/2008	\$61,077.90	\$4,074.97	\$57,002.94	\$1,143,726.27	\$1,121,300.27
18	4/1/2008	\$61,077.90	\$3,877.83	\$57,200.07	\$1,085,382.20	\$1,064,100.19
19	5/1/2008	\$61,077.90	\$3,680.01	\$57,397.89	\$1,026,836.35	\$1,006,702.30
20	6/1/2008	\$61,077.90	\$3,481.51	\$57,596.39	\$968,088.03	\$949,105.91
21	7/1/2008	\$61,077.90	\$3,282.32	\$57,795.58	\$909,136.54	\$891,310.33
22	8/1/2008	\$61,077.90	\$3,082.45	\$57,995.46	\$849,981.17	\$833,314.88
23	9/1/2008	\$61,077.90	\$2,881.88	\$58,196.02	\$790,621.23	\$775,118.85
24	10/1/2008	\$61,077.90	\$2,680.62	\$58,397.28	\$731,056.00	\$716,721.57
25	11/1/2008	\$61,077.90	\$2,478.66	\$58,599.24	\$671,284.77	\$658,122.33
26	12/1/2008	\$61,077.90	\$2,276.01	\$58,801.90	\$611,306.84	\$599,320.43
27	1/1/2009	\$61,077.90	\$2,072.65	\$59,005.25	\$551,121.48	\$540,315.18
28	2/1/2009	\$61,077.90	\$1,868.59	\$59,209.31	\$490,727.98	\$481,105.86
29	3/1/2009	\$61,077.90	\$1,663.82	\$59,414.08	\$430,125.62	\$421,691.78
30	4/1/2009	\$61,077.90	\$1,458.35	\$59,619.55	\$369,313.68	\$362,072.23
31	5/1/2009	\$61,077.90	\$1,252.17	\$59,825.74	\$308,291.42	\$302,246.49
32	6/1/2009	\$61,077.90	\$1,045.27	\$60,032.63	\$247,058.14	\$242,213.86
33	7/1/2009	\$61,077.90	\$837.66	\$60,240.25	\$185,613.08	\$181,973.61
34	8/1/2009	\$61,077.90	\$629.33	\$60,448.58	\$123,955.53	\$121,525.03
35	9/1/2009	\$61,077.90	\$420.27	\$60,657.63	\$62,084.75	\$60,867.40
36	10/1/2009	\$61,077.90	\$210.50	\$60,867.40	-\$0.00	-\$0.00
Totals:		\$2,198,804.53	\$135,191.53	\$2,063,613.00	Rate 4.150%	

COMMENCEMENT DATE: September 29, 2006

State of Michigan, Department of Management and Budget

By: 
Sean L. Carlson
Chief Procurement Officer, Business Services Administration
Michigan Department of Management and Budget

State of Michigan, Department Of Information Technology

By: 
Title: 
Michigan Department of Information Technology

Dec

EXHIBIT B

FINAL ACCEPTANCE CERTIFICATE

Re: Schedule of Property No. 1, dated September 29, 2006 to Lease, dated as of September 29, 2006, between Koch Financial Corporation, as Lessor, and State of Michigan, Department of Management and Budget, as Lessee

In accordance with the Lease With Option to Purchase Agreement (Lease), the undersigned Lessee hereby certifies and represents to, and agrees with Lessor as follows:

- (1) All of the Equipment (as such term is defined in the Lease) listed in the above-reference Schedule of Property (the "Schedule") has been delivered, installed, and accepted on the date hereof.
- (2) Lessee has conducted such inspection and/or testing of the Equipment listed in the Schedule, as it deems necessary and appropriate pursuant to Section 12 of this Lease, and hereby acknowledges that it accepts the Equipment for all purposes.
- (3) Lessee is self insured as provided in Section 18 of the Lease.
- (4) No event or condition that constitutes, or with notice or lapse of time, or both, would constitute, an Event of Default (as defined in the Lease) exists at the date hereof.

LESSEE

State of Michigan, Department of Management and Budget

By: _____

(Sean L. Carlson)

Title: Chief Procurement Officer, Business Services Administration
Michigan Department of Management and Budget

Acceptance Date: _____

Department of the Treasury
Internal Revenue ServiceUnder Internal Revenue Code Section 149 (e)
See separate instructions

Caution: Use Form 8038-GC if the issue price is under \$100,000

Part I Reporting AuthorityIf Amended Return, Check here ☐

1 Issuer's name State of Michigan, Department of Management and Budget		2 Issuer's employer identification 38 6000134	
3 Number and street (or P. O. box if mail is not delivered to Street address) 611 W. Ottawa P. O. Box 30026		Room/suite	4 Report number G 2006-XXXXXX
5 City, town, or post office, state, and ZIP code Lansing, MI 48909			6 Date of Issue Sept 29, 2006
7 Name of issue Schedule of Property No. 1 dated 9/29/2006 to Lease with Option to Purchase Agreement dated 9/29/2006			8 CUSIP number N/A
9 Name and title of officer or legal representative whom the IRS may		10 Telephone number of officer or legal representative	

Part II Type of Issue (check applicable box(es) and enter the issue price) See Instructions and attach schedule

11	<input type="checkbox"/> Education	11	
12	<input type="checkbox"/> Health and hospital	12	
13	<input type="checkbox"/> Transportation	13	
14	<input type="checkbox"/> Public safety	14	
15	<input type="checkbox"/> Environment (including sewage bonds)	15	
16	<input type="checkbox"/> Housing	16	
17	<input type="checkbox"/> Utilities	17	
18	<input checked="" type="checkbox"/> Other. Describe (see instructions) EMC Equipment	18	\$2,063,613.00
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>			
20 If obligations are in the form of a lease or installment sale, check box <input checked="" type="checkbox"/>			

Part III Description of Obligations (Complete for the entire issue for which this form is being filed)

	(a) Final Maturity date	(b) Issue Price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	10/1/2009	\$2,063,613.00	N/A	3 years	4.15%

Part IV Uses of Proceeds of Bonds Issue (including underwriters' discount)

N/A

22	Proceeds used for accrued interest	22	0.00
23	Issue Price of entire issue (Enter amount from line 21, column (b))	23	
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	0.00
25	Proceeds used for credit enhancement	25	0.00
26	Proceeds allocated to reasonably require reserve or replacement fund	26	0.00
27	Proceeds used to currently refund prior issues	27	0.00
28	Proceeds used to advance refund prior issues	28	0.00
29	Total (add lines 24 through 28)	29	0.00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

N/A

31	Enter the remaining weighted average maturity of the bonds to be currently refunded	years
32	Enter the remaining weighted average maturity of the bonds to be advanced refunded	years
33	Enter the last date on which the refunded bonds will be called	
34	Enter the date(s) the refunded bonds were issued	

Part VI Miscellaneous

N/A

35	Enter the amount of the state volume cap allocated to the issue under section 141 (b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b Enter the final maturity date of the guaranteed investment contract			
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue			
38	If the issuer has designated the issue under section 265 (b)(3)(B)(i)(III) (smaller issuer exception), check box		<input type="checkbox"/>
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		<input type="checkbox"/>
40	If the issuer has identified a hedge, check box		<input type="checkbox"/>

Please
Sign
Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief they are true, correct and complete.

Signature of Issuer's authorized representative

Date

Type or print name and title

LEASE PAYMENT INSTRUCTIONS

LESSEE NAME: State of Michigan

INVOICE MAILING ADDRESS:
Department of Information Technology
Faith Goins
515 Westshire Dr.
Lansing, MI 48913

Mail invoices to the attention of: **Faith Goins**

Phone (517) 373-4338 Fax (517) 241-1769

Approval of Invoices required by: N/A

Phone () Fax ()

Accounts Payable Contact: **Same as above**

Phone () Fax ()

Processing time for

Invoices: Approval: Checks:

Do you have a Purchase Order Number that you would like included on the invoice? No ☒ Yes _____

PO# _____

Do your Purchase order numbers change annually? No _____ Yes ☒ at the beginning of every fiscal year.

Processing time for new purchase orders: October 1st of every year.

LESSEE:

By: 

Title:

Chief Procurement Officer

Date:

09/29/2006

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERALMIKE COX
ATTORNEY GENERALP.O. BOX 30754
LANSING, MICHIGAN 48909

September 26, 2006

Sean Carlson, Director
Acquisition Services
Department of Management and Budget
P.O. Box 30152
Lansing, Michigan 48909

Dear Mr. Carlson:

**Re: Lease with Option to Purchase Agreement dated September 29, 2006,
between Koch Financial Corporation, as Lessor, and State of
Michigan, Department of Management and Budget, as Lessee
Equipment: EMC Equipment, under Contract No. 084N6203294
Agency: Michigan Department of Information Technology**

In my capacity as an Assistant Attorney General, I have examined a copy of the referenced Lease with Option To Purchase, dated September 29, 2006, and Exhibits between Koch Financial Corporation ("Lessor") and the State of Michigan, Department of Management and Budget ("Lessee") including a copy of the Lease's Equipment Schedule dated September 29, 2006, between Lessor and Lessee ("Equipment Schedule"). This opinion is based on, and limited to the review of, the documents described above for this lease transaction.

Based on the above, I am of the following opinion:

- (1) Lessee is one of the principal state departments of the State of Michigan;
- (2) Lessee has the requisite power and authority to lease and acquire the Equipment with an option to purchase and to execute and deliver the Lease and to perform its obligations under the Lease;
- (3) The Lease has been duly authorized, executed, and delivered by and on behalf of Lessee and the Lease is a valid and binding obligation of Lessee enforceable according to its terms;
- (4) To the best of my knowledge, the authorization, execution, and delivery of the Lease and all other proceedings of Lessee relating to the transactions contemplated by it have been performed according to open meeting, public bidding and all other applicable state or federal laws; and

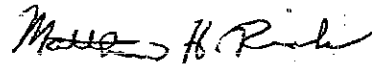
Sean Carlson

Page 2

September 26, 2006

- (5) The person signing the Lease for the State of Michigan is a duly authorized representative of Lessee under 1984 PA 431.

Sincerely,



Matthew H. Rick
Assistant Attorney General
State Operations Division
Tel: (517) 373-1162

MHR/dab

c: Anthony Des Chenes, DMB

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